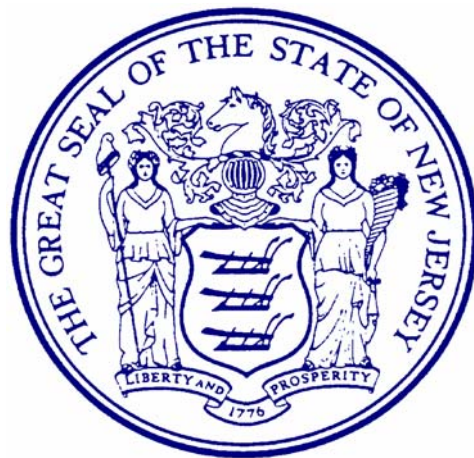


**ACE GAMING, LLC D/B/A SANDS HOTEL & CASINO
QUARTERLY REPORT
FOR THE QUARTER ENDED MARCH 31, 2006**

**SUBMITTED TO THE
CASINO CONTROL COMMISSION
OF THE
STATE OF NEW JERSEY**



**DIVISION OF FINANCIAL EVALUATION
REPORTING MANUAL**

ACE GAMING, LLC D/B/A SANDS HOTEL & CASINO

BALANCE SHEETS

AS OF MARCH 31, 2006 AND 2005

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2006 (c)	2005 (d)	
	<u>ASSETS:</u>				
	Current Assets:				
1	Cash and Cash Equivalents.....		\$15,990	\$14,928	
2	Short-Term Investments.....				
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2006, \$3,431; 2005, \$3,832).....		5,178	4,944	*
4	Inventories		2,748	2,715	
5	Other Current Assets.....	Note 7	5,863	7,152	*
6	Total Current Assets.....		29,779	29,739	*
7	Investments, Advances, and Receivables.....	Note 8	13,015	11,830	
8	Property and Equipment - Gross.....	Note 9	223,177	218,618	
9	Less: Accumulated Depreciation and Amortization.....	Note 9	(65,794)	(50,381)	
10	Property and Equipment - Net.....	Note 9	157,383	168,237	
11	Other Assets.....		980	1,667	
12	Total Assets.....		\$201,157	\$211,473	*
	<u>LIABILITIES AND EQUITY:</u>				
	Current Liabilities:				
13	Accounts Payable.....		\$5,020	\$6,068	
14	Notes Payable.....		1,366	5,186	*
	Current Portion of Long-Term Debt:				
15	Due to Affiliates.....				
16	External.....		314	236	
17	Income Taxes Payable and Accrued.....		198	191	
18	Other Accrued Expenses.....	Note 10	9,776	10,936	*
19	Other Current Liabilities.....	Note 11	4,235	3,853	
20	Total Current Liabilities.....		20,909	26,470	*
	Long-Term Debt:				
21	Due to Affiliates.....				*
22	External.....		170	385	
23	Deferred Credits				
24	Other Liabilities.....	Note 12	4,377	4,115	
25	Commitments and Contingencies.....				
26	Total Liabilities.....		25,456	30,970	*
27	Stockholders', Partners', or Proprietor's Equity.....		175,701	180,503	*
28	Total Liabilities and Equity.....		\$201,157	\$211,473	*

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

ACE GAMING, LLC D/B/A SANDS HOTEL & CASINO

STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED MARCH 31, 2006 AND 2005

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2006 (c)	2005 (d)
	Revenue:			
1	Casino.....		\$42,915	\$44,537
2	Rooms.....		2,888	2,294
3	Food and Beverage.....		4,405	4,866
4	Other.....		539	807
5	Total Revenue.....		50,747	52,504
6	Less: Promotional Allowances.....		9,973	12,538
7	Net Revenue.....		40,774	39,966
	Costs and Expenses:			
8	Cost of Goods and Services.....		26,915	27,612 *
9	Selling, General, and Administrative.....		8,888	9,076 *
10	Provision for Doubtful Accounts.....		82	129
11	Total Costs and Expenses.....		35,885	36,817 *
12	Gross Operating Profit.....		4,889	3,149 *
13	Depreciation and Amortization.....		3,830	4,079 *
	Charges from Affiliates Other than Interest:			
14	Management Fees.....			
15	Other.....		90	187 *
16	Income (Loss) from Operations.....		969	(1,117) *
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....			
18	Interest Expense - External.....		(111)	(155) *
19	CRDA Related Income (Expense) - Net.....		(368)	(237)
20	Nonoperating Income (Expense) - Net.....	Note 13	203	87
21	Total Other Income (Expenses).....		(276)	(305) *
22	Income (Loss) Before Taxes and Extraordinary Items.....		693	(1,422) *
23	Provision (Credit) for Income Taxes.....	Note 6	252	247
24	Income (Loss) Before Extraordinary Items.....		441	(1,669) *
	Extraordinary Items (Net of Income Taxes -			
25	2006, \$0; 2005, \$0).....			
26	Net Income (Loss).....		\$441	(\$1,669) *

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

ACE GAMING, LLC D/B/A SANDS HOTEL & CASINO

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2005 AND THE THREE MONTHS ENDED MARCH 31, 2006

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	Common Stock		Preferred Stock		Additional Paid-In Capital (g)		Retained Earnings (Accumulated Deficit) (i)	Total Stockholders' Equity (Deficit) (j)
			Shares (c)	Amount (d)	Shares (e)	Amount (f)				
1	Balance, December 31, 2004.....						\$228,876		(\$44,236)	\$184,640
2	Net Income (Loss) - 2005.....								(6,782)	(6,782)
3	Contribution to Paid-in-Capital.....									0
4	Dividends.....									0
5	Prior Period Adjustments.....									0
6	Capital Withdrawals						(2,598)			(2,598)
7										0
8										0
9										0
10	Balance, December 31, 2005.....		0	0	0	0	226,278	0	(51,018)	175,260
11	Net Income (Loss) - 2006.....								441	441
12	Contribution to Paid-in-Capital.....									0
13	Dividends.....									0
14	Prior Period Adjustments.....									0
15										0
16										0
17										0
18										0
19	Balance, March 31, 2006.....		0	\$0	0	\$0	\$226,278	\$0	(\$50,577)	\$175,701

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

ACE GAMING, LLC D/B/A SANDS HOTEL & CASINO

STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 2006 AND 2005

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2006 (c)	2005 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		\$5,477	\$601 *
	CASH FLOWS FROM INVESTING ACTIVITIES:			
2	Purchase of Short-Term Investments			
3	Proceeds from the Sale of Short-Term Investments		83	132
4	Cash Outflows for Property and Equipment.....		(551)	(571)
5	Proceeds from Disposition of Property and Equipment.....			4
6	CRDA Obligations		(470)	(571)
7	Other Investments, Loans and Advances made.....			
8	Proceeds from Other Investments, Loans, and Advances			
9	Cash Outflows to Acquire Business Entities.....		0	0
10				
11				
12	Net Cash Provided (Used) By Investing Activities.....		(938)	(1,006)
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt		1,000	5,186 *
14	Payments to Settle Short-Term Debt.....		(3,182)	*
15	Proceeds from Long-Term Debt		4	
16	Costs of Issuing Debt.....			
17	Payments to Settle Long-Term Debt.....		(81)	(141) *
18	Cash Proceeds from Issuing Stock or Capital Contributions...		0	(2,467)
19	Purchases of Treasury Stock.....			
20	Payments of Dividends or Capital Withdrawals.....			*
21				
22				
23	Net Cash Provided (Used) By Financing Activities.....		(2,259)	2,578 *
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		2,280	2,173
25	Cash and Cash Equivalents at Beginning of Period.....		13,710	12,755
26	Cash and Cash Equivalents at End of Period.....		\$15,990	\$14,928
	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....		\$55	\$89 *
28	Income Taxes.....		\$88	\$88

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

ACE GAMING, LLC D/B/A SANDS HOTEL & CASINO

STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 2006 AND 2005

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2006 (c)	2005 (d)
	CASH FLOWS FROM OPERATING ACTIVITIES:			
29	Net Income (Loss).....		\$441	(\$1,669) *
30	Depreciation and Amortization of Property and Equipment.....		3,771	3,974
31	Amortization of Other Assets.....		59	105 *
32	Amortization of Debt Discount or Premium.....			
33	Deferred Income Taxes - Current			
34	Deferred Income Taxes - Noncurrent			
35	(Gain) Loss on Disposition of Property and Equipment.....			(4)
36	(Gain) Loss on CRDA-Related Obligations.....		368	237
37	(Gain) Loss from Other Investment Activities.....			
38	(Increase) Decrease in Receivables and Patrons' Checks		(637)	531 *
39	(Increase) Decrease in Inventories		(160)	(216)
40	(Increase) Decrease in Other Current Assets.....		1,537	(2,111) *
41	(Increase) Decrease in Other Assets.....		(55)	(70) *
42	Increase (Decrease) in Accounts Payable.....		(503)	(1,013)
43	Increase (Decrease) in Other Current Liabilities		640	773 *
44	Increase (Decrease) in Other Liabilities		16	64
45				
46				
47	Net Cash Provided (Used) By Operating Activities.....		\$5,477	\$601 *

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	ACQUISITION OF PROPERTY AND EQUIPMENT:			
48	Additions to Property and Equipment.....		(\$551)	(\$571)
49	Less: Capital Lease Obligations Incurred.....			
50	Cash Outflows for Property and Equipment.....		(\$551)	(\$571)
	ACQUISITION OF BUSINESS ENTITIES:			
51	Property and Equipment Acquired.....			
52	Goodwill Acquired.....			
53	Other Assets Acquired - net			
54	Long-Term Debt Assumed.....			
55	Issuance of Stock or Capital Invested.....			
56	Cash Outflows to Acquire Business Entities.....		\$0	\$0
	STOCK ISSUED OR CAPITAL CONTRIBUTIONS:			
57	Total Issuances of Stock or Capital Contributions.....		\$0	(\$2,467)
58	Less: Issuances to Settle Long-Term Debt.....		0	0
59	Consideration in Acquisition of Business Entities.....		0	0
60	Cash Proceeds from Issuing Stock or Capital Contributions.....		\$0	(\$2,467)

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

AMENDED 9/7/2006

**ACE GAMING, LLC D/B/A SANDS HOTEL & CASINO
SCHEDULE OF PROMOTIONAL
EXPENSES AND ALLOWANCES**

FOR THE THREE MONTHS ENDED MARCH 31, 2006

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	50,496	\$1,465		
2	Food	113,209	1,673		
3	Beverage	467,709	1,225		
4	Travel			382	188
5	Bus Program Cash	96,649	1,805		
6	Other Cash Complimentaries	59,094	3,761		
7	Entertainment	1,074	40		
8	Retail & Non-Cash Gifts			184,966	1,175
9	Parking			89,649	269
10	Other	520	4		
11	Total	788,751	\$9,973	274,997	\$1,632

REVISED

FOR THE THREE MONTHS ENDED MARCH 31, 2006

Line (a)	Description (b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	50,496	\$1,465		
2	Food	113,209	1,673		
3	Beverage	467,709	1,225		
4	Travel			382	188
5	Bus Program Cash	96,649	1,805		
6	Other Cash Complimentaries	59,094	3,761		
7	Entertainment	1,074	40		
8	Retail & Non-Cash Gifts			184,966	1,175
9	Parking			89,649	269
10	Other	520	4		
11	Total	788,751	\$9,973	274,997	\$1,632

STATEMENT OF CONFORMITY, ACCURACY, AND COMPLIANCE

FOR THE QUARTER ENDED MARCH 31, 2006

1. I have examined this Quarterly Report
2. All the information contained in this Quarterly Report has been prepared in conformity with the Casino Control Commission's Quarterly Report Instructions and Uniform Chart of Accounts.
3. To the best of my knowledge and belief, the information contained in this report is accurate.
4. To the best of my knowledge and belief, except for the deficiencies noted below, the licensee submitting this Quarterly Report has remained in compliance with the financial stability regulations contained in N.J.A.C. 19:43-4.2(b)1-5 during the quarter.

5/15/2006

Date



Executive Director of Finance

Title

6939-11

License Number

On Behalf of:

ACE GAMING, LLC D/B/A SANDS HOTEL & CASINO

Casino Licensee

ACE GAMING, LLC
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

Note 1. The Company

Atlantic Coast Entertainment Holdings, Inc., or Atlantic Holdings or the Company, owns and operates The Sands Hotel and Casino, or The Sands, located in Atlantic City, New Jersey through our wholly-owned subsidiary, ACE Gaming, LLC, or ACE Gaming, a New Jersey limited liability company. The Sands is located on approximately 6.1 acres of land one half block from the Boardwalk at Brighton Park, between Indiana Avenue and Dr. Martin Luther King, Jr. Boulevard. The Sands facility currently consists of a casino and simulcasting facility with approximately 80,000 square feet of gaming space, two hotels with a total of 620 rooms, and related facilities.

Atlantic Holdings is a majority-owned subsidiary of American Real Estate Partners, L.P., or AREP, a Delaware master limited partnership whose units are traded on the New York Stock Exchange. As of March 31, 2006, affiliates of Carl C. Icahn owned 9,813,346 Preferred Units and 55,655,382 Depositary Units, which represent approximately 86.5% of the outstanding Preferred Units and approximately 90.0% of the outstanding Depositary Units of AREP. Mr. Icahn is the Chairman of the Board of Directors and owns all of the capital stock of American Property Investors, Inc., AREP's general partner.

Note 2. Basis of Presentation

The financial statements were prepared following the requirements of the Casino Control Commission of the State of New Jersey for interim reporting. Accordingly, certain footnotes or other financial information that are normally required by GAAP (U.S. generally accepted accounting principles) can be condensed or omitted.

In the opinion of management, the accompanying financial statements include all adjustments (consisting only of those of a normal recurring nature), which are necessary for a fair presentation of the results for the interim periods presented. Certain information and footnote disclosures normally included in financial statements have been condensed or omitted pursuant to such rules and regulations of the SEC. Interim results are not necessarily indicative of results to be expected for any future interim period or for the entire fiscal year.

Note 3. Related Party Transactions

We have an intercompany services arrangement with American Casino & Entertainment Properties LLC, or ACEP, which is controlled by AREP, whereby ACEP provides management and consulting services. We are billed based upon an allocation of salaries plus an overhead charge of 15% of the salary allocation plus reimbursement of reasonable out-of-pocket expenses. For the three months ended March 31, 2006 and 2005, we were billed approximately \$81,000 and \$136,000, respectively.

During the three months ended March 31, 2006 and 2005 we made payments to XO Communications, Inc., which is controlled by affiliates of Mr. Icahn, for certain telecommunications services provided to us in an amount equal to approximately \$49,000 and \$40,000, respectively.

In connection with the consent solicitation and the offer to exchange, which was consummated on July 22, 2004, or the Transaction, GB Holdings, Inc., Greate Bay Hotel and Casino, Inc., or GBHC, Atlantic Holdings and ACE Gaming entered into a Contribution Agreement, pursuant to which, Atlantic Holdings paid approximately \$0 and \$2.5 million to GB Holdings for the three months ended March 31, 2006 and 2005, respectively. In 2005 approximately \$2.4 million was for interest on the GB Holdings 11% notes due 2005 which were not previously exchanged for Atlantic Holdings 3% notes in the Transaction. Additionally, we agreed to pay GB Holdings an amount equal to GB Holdings' normal, ordinary course operating expenses (including legal and accounting costs, directors' and officers' insurance premiums, and fees for SEC filings) not to exceed in the aggregate \$250,000 in any twelve month period, subject to a number of conditions.

During May 2005, Mr. Icahn converted approximately \$28.8 million principal amount of Atlantic Holdings 3% notes into 1,898,181 shares of our common stock, following the conversion of the notes, Mr. Icahn exercised 7,748,412 warrants for an aggregate of 2,130,904 shares of our common stock. During 2005, other warrant holders exercised 17,789 warrants for 4,892 shares of our common stock. As of March 31, 2006 and December 31, 2005, we owed approximately \$619,000 and \$559,000, respectively, to related parties. This relates to the intercompany services arrangement with ACEP.

Note 4. Line of Credit

As of March 31, 2006 and December 31, 2005, we had outstanding borrowings of \$0 and \$1.5 million, respectively. The outstanding principal balance would accrue interest at a fixed rate to be set monthly which is equal to one month LIBOR (but not less than 1.5%), plus 8% per annum, which totaled 12.83% at March 31, 2006.

Note 5. Commitments and Contingencies

During 2005, we incurred an operating loss relating to our operations. However, we continue to generate positive cash flow. We believe that our efforts to improve profitability may lead to a reversal of these operating losses. However, as there is no guarantee that these efforts will be successful, we continue to evaluate whether there is an impairment under SFAS No. 144. In the event that a change in operations results in a future reduction of cash flows, we may determine an impairment under SFAS No. 144 has occurred at The Sands, and an impairment charge may be required.

We have recently been requested by the New Jersey Division of Gaming Enforcement, or DGE, to provide documentation that we are in compliance with our internal audit reporting lines. Such documentation will be provided on or before May 19, 2006, in accordance with the DGE's request.

Legal Proceedings

We have challenged our property tax assessment in the Tax Court of New Jersey beginning with the tax year 1996 and including each year thereafter through tax year 2005. Recently, a trial was held with respect to tax years 1996 through 1999. We have not yet received a ruling by the Tax Court. Based upon the City's appraisals submitted at trial for these four years, we may be entitled to a refund. A trial for tax years 2000 through 2005 is anticipated to occur in 2006. As with any litigation there can be no assurance of the ultimate outcome, our ability to collect any judgment which may be awarded or the terms under which any amount awarded or mutually agreed upon would be paid.

We are, from time to time, parties to various legal proceedings arising out of our businesses. We believe, however, there are no proceedings pending or threatened against us, which, if determined adversely, would have a material adverse effect upon our business financial conditions, results of operations or liquidity.

Note 6. Income Taxes

The income tax expense recorded is attributable to two current New Jersey minimum income tax statutes. The New Jersey Business Tax Reform Act enacted in 2002 introduced a new alternative minimum assessment under the New Jersey corporate income tax provisions based on gross receipts or gross profits. Any minimum taxes paid under this statute are available as a credit against future New Jersey corporate income taxes. Additionally, in 2003, the New Jersey Casino Control Act imposed a new "Casino Net Income Tax" which assesses an annual tax equal to the greater of 7.5% of adjusted net income or \$350,000. Both of these enacted tax provisions are set to expire in 2006.

Note 7. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consisted of the following:

	March 31,	
	2006	2005
	(in thousands)	
Deposits - Workers Compensation	\$ 2,828	\$ 4,018
Prepaid insurance	1,842	1,308
Prepaid real estate tax	-	742
Prepaid slot license fee	270	278
Other current assets	923	806
	<u>\$ 5,863</u>	<u>\$ 7,152</u>

Note 8. Investments, Advances and Receivables

Investments, advances and receivables consists of the following:

	March 31,	
	2006	2005
	(in thousands)	
CRDA deposits	\$ 17,140	\$ 17,939
CRDA bond receivables	8,091	6,628
	25,231	24,567
Less valuation allowance on		
CRDA investments	(12,216)	(12,737)
	<u>\$ 13,015</u>	<u>\$ 11,830</u>

Note 9. Property and Equipment

Property and equipment consisted of the following:

	March 31,	
	2006	2005
	(in thousands)	
Land	\$ 54,344	\$ 54,344
Buildings and improvements	88,272	88,148
Operating equipment	80,525	75,154
Construction in progress	36	972
	223,177	218,618
Less: accumulated depreciation and amortization	(65,794)	(50,381)
Net property and equipment	<u>\$ 157,383</u>	<u>\$ 168,237</u>

Note 10. Other Accrued Expenses

Other accrued expenses consisted of the following:

	March 31,	
	2006	2005
	(in thousands)	
Accrued vacation	\$ 1,575	\$ 1,493
Major Medical - Non-union	1,211	1,278
Accrued wages	710	1,550
Other accrued expenses	6,280	6,615
	<u>\$ 9,776</u>	<u>\$ 10,936</u>

Note 11. Other Current Liabilities

Other current liabilities consisted of the following:

	March 31,	
	2006	2005
	(in thousands)	
Workers Comp liability	\$ 1,648	\$ 1,110
CRDA bonds payable	536	553
Unredeemed gaming chips	500	471
Union liability	329	547
Other current liabilities	1,222	1,172
	<u>\$ 4,235</u>	<u>\$ 3,853</u>

Note 12. Other Liabilities

Other liabilities consisted of the following:

	March 31,	
	2006	2005
	(in thousands)	
CRDA - East Hall	\$ 3,630	\$ 3,469
Other liabilities	747	646
	<u>\$ 4,377</u>	<u>\$ 4,115</u>

Note 13. Nonoperating Income (Expense) – Net

Nonoperating income (expense) – net is comprised of the following:

	March 31,	
	2006	2005
	(in thousands)	
CRDA Interest Income	\$ 173	\$ 92
Interest income	30	15
Re-organization expenses	-	(20)
	<u>\$ 203</u>	<u>\$ 87</u>